

FOSTER, MAINTAIN AND REMOVE BARRIERS TO AFFORDABLE HOUSING AND OBSTACLES FOR THOSE WITH SPECIAL NEEDS

There are numerous hurdles related to affordable housing and obstacles for those with special needs. Below are the profiles of some of the barriers we face in our community and our strategy to address each particular barrier.

1) Profile:

The sub-prime mortgage lending aspect of alternative financing has created a barrier to affordable housing. The high cost of sub-prime mortgages has left lower income persons in non-equity positions with payments in excess of their means of repayment. For some, their only way out is foreclosure.

Strategies:

- ✓ Sub-prime lenders are prohibited from participating in any City of Rockford programs.
- ✓ ADDI program prohibits participation of a lender who costs exceed of 5% of the mortgage amount.
- ✓ The Rockford Homestead Board denies requests for subordination when sub-prime lenders are involved and counsels homesteaders on the negative effects of sub-prime mortgages. Also, this issue is continuously addressed in the quarterly newsletter sent to all homeownership program participants. We have also started to address “payday lending” through education via the Rockford Area Affordable Housing Coalition and the Rockford Homestead Board.
- ✓ A portion of the City’s Community Development Block Grant is budgeted to continue a pre- and post-purchasing homebuyer counseling administered by the Rockford Area Affordable Housing Coalition.

2) Profile:

A barrier in lower income neighborhoods in which affordable housing is commonly located is crime and safety.

Strategy:

- ✓ Community policing initiatives will continue, in which police officers come to know the neighborhood residents and address their problems before they become acute. They become known in the neighborhood rather than the patrols that respond to crime and are supported by neighborhood watch groups and safe house programs that engage citizens in their own public safety needs.
- ✓ The City of Rockford will also continue its demolition program to reduce the infrastructure that supports crime. We will focus on properties identified by the neighborhood and will encourage swift reclamation of these abandoned and nuisance properties through both the Building Department and Community Development.

- ✓ The City continues to focus its resources to certain strategy areas to reinforce blocks. Street improvements will favor the pedestrian. Park like areas will be distributed within the neighborhood. Each element of infill and rehab will reinforce the local character of the neighborhood.
- ✓ Through the Weed and Seed efforts, improvements will be made to homes and through the weeding effort there is a greater police presence, including the deployment of undercover officers, and tighter enforcement of building codes and other steps to work against blight.

3) Profile:

There are developmental barriers to the creation of affordable housing. This includes property acquisition, cost estimation, obtaining insurance during construction, financing, and land-use restrictions. Additional barriers include qualified workers and compliance with the myriad of codes and regulations.

- ✓ The City will make its vacant lots available to CHDOs for development.
- ✓ In most cases, policies are out of the City's control. Those within the City's control, Full Urban Standards for new subdivisions and Zoning Ordinance changes, have inverse effects. Our Zoning Ordinance has no negative effect and requires no strategy. The Full Urban Standards requirements are somewhat offset by the 50/50 Sidewalk Program which pays 50% of concrete walks/curbs. In all cases, the City is working with committees, task forces and boards to ensure coordination with entities that have the ability to reduce or offset negative effects of such policies.
- ✓ Financing and acquisition will be addressed in later strategies.
- ✓ Technical assistance will be provided to developers and homebuyers.

4) Profile:

The age and condition of the housing stock is a barrier. The median year built for the housing in Rockford is 60 years, an age at which substantial major rehabilitation of systems and building components is often needed. Costs can exceed \$50,000 when substantial rehabilitation is necessary. The costs associated with lead-based paint have added approximately another 15%- 30% to the cost. Often, a large gap exists between the cost of rehab and the financial resources available. Sweat equity can help bridge the gap but without public subsidies, a complete rehabilitation job is virtually impossible by property owners.

- ✓ Aged properties not suitable for rehabilitation will be demolished by Community Development, the Building Department, or direct assistance to property owners.
- ✓ Community Development will work cooperatively with the Human Services Department to fund projects whenever possible, especially when there are identified lead hazards.
- ✓ Increases in the cost of materials are anticipated and considered when analyzing the gap of special projects.

5) Profile:

Even without factoring in the cost of renovation, many households currently face an affordability problem. Most at risk are renters, minorities, the poor and residents of older housing. These at-risk populations tend to live in housing with the greatest need for renovation, yet they are least likely to be able to pay for it.

Strategies:

- ✓ Rehab assistance will be provided to investor owners who, as a condition of assistance, must rent 51% of the units assisted to lower income at fair market rents.
- ✓ The City through the continuation of its homebuyer programs will address affordable housing.
- ✓ The city will address the issue of decent, safe and affordable rental and owner-occupied units by continuing its housing rehab and home ownership programs.
- ✓ The City will continue to market its home ownership programs to public housing tenants in an effort to provide them with additional housing choices.

6) Profile:

Acquiring properties poses an impediment, which hampers the City's acquisition-rehab efforts.

Strategies:

- ✓ Foreclosing on liens, acquiring properties on a voluntary sales basis, and obtaining HUD properties with a conservative use of eminent domain will be used. Unfortunately, problems we face are:
 - The most straightforward approach is to contact the owner of the property and negotiate a sale. This is much easier said than done, however. Identifying and finding the owner is a problem. Ownership records are outdated which makes it hard to identify and contact owners. Estate complications are another frequent impediment in tracking the owners and negotiating a sale.
 - Clearing title is a hurdle because of judgments, liens, and other encumbrances. Also, owners refuse to sell, or if amendable to sell, offer their properties at unreasonable prices given the location, condition, or other factors. They may have an excessive number of liens on the property or a mortgage, which drives up the asking price.
 - Assemblage of property in a concentrated area is another hurdle. This sometimes can take years.
 - Tax and lien foreclosures can be time-consuming, sometimes taking years to finalize while the property continues to decline.
 - The City on occasion purchases FHA properties from HUD but this can also be a problem. FHA properties are scattered so clustered rehab is difficult, prices appear greater than the assessed value taking into

consideration the improvements needed, and the \$1 homes are often times not worthy of rehabilitation.

- Taking property by eminent domain has its downsides. The City uses this power sparingly due to its negative perception. It is also time consuming due to legal constraints and expenses, and can only be used under limited circumstances when acquiring residential properties.

Strategies:

- ✓ The City will continue to evaluate our strategies of acquiring property and work with others within our organization to identify streamline methods.
- ✓ Properties will be demolished using the “fast track” method to avoid the lengthy process of acquisition.

7) Profile:

Financing is a barrier to the production of affordable housing with the crux being the economic gap. Many owners and occupants of properties needing rehab simply do not have the resources to pay for the rehabilitation, and the affordability gap makes the problem even worse. Even though there are more sources available than in the past with more affordable financing due to CRA laws and subsidies are available through public resources, it is still a barrier. Also, persons with special needs require assistance with making units accessible.

Strategies:

- ✓ The HUD program, ADDI, was initiated in 2004 and will continue in 2005 which provides 6% of the sales price for homebuyers to use for downpayment and closing cost assistance.
- ✓ New construction programs will continue which leverage private and federal funds to create affordable housing financing for lower income persons.
- ✓ CHDO projects will be funded with a HOME set-aside which provide a development subsidy and direct homebuyer assistance to fill the gap in financing.
- ✓ A portion of the City’s Community Development Block Grant is also being used to continue a credit-counseling course administered by the Rockford Area Affordable Housing Coalition.
- ✓ The City will submit an application for funding under HUD’s Homeless Assistance for the Homeless program.
- ✓ The City will continue to provide grants to program participants to cover the increased cost of rehabilitation due to the new lead-based paint requirements in hopes of encouraging their continued participation in the programs.
- ✓ HOPE VI applications at several various sites for the removal or existing units and/or development of new housing will be submitted by a local PHA with the City’s support.
- ✓ Ramps will be constructed for the physically disabled through the RAMP agency.

8) Profile:

Appraisal issues contribute to the financing as well as acquisition challenge. Financing is typically offered at a percentage of the real estate value, usually 80%. Since financing is secured at a share of value, the appropriate determination of the value of property being rehabilitated is a prerequisite for obtaining loans. Professional valuations are done by appraisers who assign values to a property by considering the cost to produce it, what buyers have paid for comparable properties, and what priorities are worth as an investment. Each dollar of rehab work does not raise a property's value by the same amount. Thus, there is a frequent divergence between cost and value. Where a property is located also has a significant influence on its value. Values are discounted accordingly which has a destructive influence on our neighborhoods. A similar difficulty exists with the identification and adjustment of comparable properties. Appraisers recognize the variability of real estate in the analysis of comps by factoring in an "adjustment." It is easier to make adjustments with new units due to the fact they are more generically standard. It is problematic to make adjustments between an unrehabilitated older unit and older renovated housing.

Strategies:

- ✓ We believe it is important that appraisers focus on the immediate environ of the property and should acknowledge the rehabilitation and other investment in the area. Therefore, we will keep the Assessor's Office informed of our neighborhood development strategies.
- ✓ We will increase the value of property in those neighborhoods by focusing our resources. We will analyze our affect on neighborhoods annually.

9) Profile:

Funding is also a problem. An under appraisal of value of a rehab project will limit public as well as private mortgage-ability. Public funding and subsidy of rehab also has issues - which includes the limited supply of and competition for assistance. Plus, there are additional costs associated when using public assistance including labor wage requirements, relocation, and lead. Timing and the cost of carrying projects can significantly increase the overall project costs.

Strategies:

- ✓ The City of Rockford will continue to provide technical assistance to help ensure that projects obtain the resources needed.
- ✓ Raising the awareness of available funding sources through networking and serving on boards and committees.
- ✓ The City will continue to seek basic funding of programs for the homeless for without these programs, those currently provided housing will be back out in the street. Shelter Plus Care has been highly successful for people suffering from mental illness. The fact that the person gets to choose their housing has shown great promise when working with the sometimes non-compliant. The Supportive Housing programs have given us the opportunity to develop creative programs with coordinated resources.

- ✓ The City will continue to seek outside resources to assist with the redevelopment of our neighborhoods.

10) Profile:

Lead-based paint is commonly found as it was extensively used in building until 1978. Older housing is therefore most vulnerable to the problem. Generally, the older the home, the greater the problem. It is a serious health hazard, especially for young children, and an expensive problem to fix. Federal regulations have come out to protect occupants and workers from lead poisoning. At the same time, these regulations layered upon the State regulations and the costs associated to a rehab project with no funding can present a significant barrier to rehab. As a result, the improvements may not be done at all leaving families in poorly maintained housing with hazards. Lead poisoning disproportionately affects poor, urban minorities, and these groups are least likely to benefit from abatement unless they are in HUD subsidized units. Because lead costs can be expensive in deteriorated housing and funding is not readily available, most developers are not eager to engage in the rehab of housing that may contain lead-paint hazards. More and more are moving away from rehab to in-fill new construction.

Strategies:

- ✓ Provide match for the State's Get the Lead Out! Program administered by the City's Human Services Department so that additional funding can come to this community to address controlling lead hazards.
- ✓ Continue to network with the Winnebago County Childhood Lead Poisoning Prevention Committee to determine ways to educate the public on lead hazards.
- ✓ Look at other cities and their approach to contracting for lead work.
- ✓ Increase the number of lead licensed contractors for more competitive bidding.

11) Crime

Profile: The incidence of crime throughout the city is high but has an especially negative effect on lower income neighborhoods.

Strategies:

- ✓ Reduce the infrastructure that supports crime.
- ✓ Encourage swift reclamation of abandoned and nuisance properties through the acquisition/demolition or fast track demolition of properties.
- ✓ Promote urban homesteading and the removal of vacant derelict property through the development of a Urban Redevelopment Program. Outside resources will be necessary to bring this program to fruition.
- ✓ Attract, strengthen, and stimulate private market forces and other public resources to invest in inner-city communities to:
 - stimulate their rebirth;
 - to reinforce blocks that are interconnected through out the community;

- to make these areas more competitive as places to live, work, and invest; and
 - to bring people and capital into these areas in order to create mixed-income communities of choice.
- ✓ Encourage neighborhoods to organize against crime as one of the priority activities under the 2007 Community Assistance Program (CAP).

REDUCE THE NUMBER OF POVERTY LEVEL FAMILIES

A SNAPSHOT OF WINNEBAGO COUNTY POVERTY: 2005 CENSUS DATA

Every person in Illinois has a human right to healthcare, an adequate livelihood, and freedom from the constraints of poverty. However, newly released data from the U.S. Census Bureau, contained in the *Income, Poverty, and Health Insurance Coverage in the United States: 2005* report and the American Community Survey, indicate a very different reality for millions in our state – half a million Illinois children live in poverty, over one and a half million Illinoisans do not have health insurance, and hundreds of thousands struggle in extreme poverty, with incomes well under \$10,000 a year.

These problems are not limited to specific areas of the state; people are finding it difficult to make ends meet in cities, suburbs, small towns, and rural areas alike. The realities of state and national budget deficits, along with shifting priorities in recent years, have perpetuated the hardship faced by many in the state. These unmet needs require new attention and investments to turn the tide of opportunity for hundreds of thousands of Illinoisans.

Poverty in Winnebago County did decrease...

The **Winnebago County poverty rate** decreased from 12.1 percent in 2004 to 11.8 percent in 2005. The actual number of people living in poverty decreased slightly from 34,131 in 2004 to 33,277 individuals in 2005. The **Rockford poverty rate** was 18.3 percent in 2005, with 25,409 people in Rockford living in poverty.

Children continue to be over-represented among those in poverty, making up 25.9 percent of the total Winnebago population but 41.4 percent of those in poverty in 2005. Overall child poverty in Winnebago County increased between 2004 and 2005. While 17.5 percent, or 12,744, of Winnebago County children lived in poverty in 2004, 18.8 percent, or 13,779, children lived in poverty in 2005.

While the percent of Winnebago County households receiving **Food Stamps** decreased from 11.8 percent in 2004 to 10.3 percent in 2005, the number of recipients, 11,284 in 2005, is nearly double that of 2000 (6,340).

